



WEINLANDER FITZHUGH

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FAIRGROVE TOWNSHIP TUSCOLA COUNTY, MICHIGAN

FINANCIAL STATEMENTS MARCH 31, 2004

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RSM McGladrey Network
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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name FAIRGROVE TOWNSHIP	County TUSCOLA
Audit Date 3/31/04	Opinion Date 7/8/04	Date Accountant Report Submitted to State: 7/23/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH			
Street Address 1600 CENTER AVENUE		City BAY CITY	State MI
Accountant Signature <i>Stewart G. Reid</i>		ZIP 48708-0775	
		Date	

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INDEPENDENT AUDITORS' REPORT

July 8, 2004

Township Board
Township of Fairgrove
Tuscola County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Fairgrove, Tuscola County, Michigan as of and for the year ended March 31, 2004, as listed in the index. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the general purpose financial statements referred to above do not include financial statements of the General Fixed Assets Group of Accounts, which should be included to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Group of Accounts is not known.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Fairgrove, Tuscola County, Michigan at March 31, 2004, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

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Township Board
Township of Fairgrove
July 8, 2004
Page 2

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information on pages 10-13 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Fairgrove, Tuscola County, Michigan. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Weinlander Fitzhugh

FAIRGROVE TOWNSHIP
Combined Balance Sheet - All Fund Types
March 31, 2004

	<u>Governmental Fund Types</u>	<u>Fiduciary Fund Type</u> <u>Trust and Agency</u>	<u>Total (Memorandum Only)</u>
<u>ASSETS</u>	<u>General</u>		
Cash and savings deposits	\$208,591	\$ 20,240	\$ 228,831
Interest receivable	0	52	52
Taxes receivable	21,303	0	21,303
Due from other funds	<u>7,179</u>	<u>0</u>	<u>7,179</u>
Total Assets	<u>\$237,073</u>	<u>\$ 20,292</u>	<u>\$ 257,365</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts, payroll and taxes payable	\$ 7,231	\$ 0	\$ 7,231
Due to other funds	<u>0</u>	<u>7,179</u>	<u>7,179</u>
Total liabilities	<u>7,231</u>	<u>7,179</u>	<u>14,410</u>
<u>Fund Balances</u>	<u>229,842</u>	<u>13,113</u>	<u>242,955</u>
Total Liabilities and Fund Balances	<u>\$237,073</u>	<u>\$ 20,292</u>	<u>\$ 257,365</u>

See accompanying notes to financial statements.

FAIRGROVE TOWNSHIP
Combined Statement of Revenues, Expenditures, and Changes
In Fund Balances - All Governmental Fund Types and Trust Funds
For the Year Ended March 31, 2004

	Governmental Fund Types	Fiduciary Fund Type Trust and Agency	Total (Memorandum Only)
<u>Revenues</u>	<u>General</u>		
Taxes	\$ 224,677	\$ 0	\$ 224,677
Licenses	206	0	206
Intergovernmental	69,994	0	69,994
Charges for services	10,275	0	10,275
Interest	1,129	207	1,336
Sales	3,712	0	3,712
Other	2,463	0	2,463
Total revenues	<u>312,456</u>	<u>207</u>	<u>312,663</u>
<u>Expenditures</u>			
Current expenditures:			
General government	61,162	0	61,162
Public safety	39,817	0	39,817
Drains	56,593	0	56,593
Highways and streets	96,306	0	96,306
Sanitary landfill	84,788	0	84,788
Ambulance	14,552	0	14,552
Cemetery	25,490	0	25,490
Total expenditures	<u>378,708</u>	<u>0</u>	<u>378,708</u>
Excess of revenues over (under) expenditures	<u>(66,252)</u>	<u>207</u>	<u>(66,045)</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	401	0	401
Operating transfers out	0	(401)	(401)
Total other financing sources (uses)	<u>401</u>	<u>(401)</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>(65,851)</u>	<u>(194)</u>	<u>(66,045)</u>
Fund Balances - Beginning	<u>295,693</u>	<u>13,307</u>	<u>309,000</u>
Fund Balances - Ending	<u><u>\$ 229,842</u></u>	<u><u>\$ 13,113</u></u>	<u><u>\$ 242,955</u></u>

See accompanying notes to financial statements.

FAIRGROVE TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended March 31, 2004

	Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 230,600	\$ 224,677	\$ (5,923)
Licenses	50	206	156
Intergovernmental	60,000	69,994	9,994
Charges for services	7,000	10,275	3,275
Interest	1,000	1,129	129
Lot sales	2,000	3,712	1,712
Other	1,500	2,463	963
Total revenues	<u>302,150</u>	<u>312,456</u>	<u>10,306</u>
<u>Expenditures</u>			
Current expenditures:			
General government	70,400	61,162	9,238
Public safety	43,313	39,817	3,496
Drains	55,000	56,593	(1,593)
Highways and streets	30,000	96,306	(66,306)
Sanitary landfill	90,000	84,788	5,212
Ambulance	15,000	14,552	448
Cemetery	30,000	25,490	4,510
Total expenditures	<u>333,713</u>	<u>378,708</u>	<u>(44,995)</u>
Excess of revenues over (under) expenditures	<u>(31,563)</u>	<u>(66,252)</u>	<u>(34,689)</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	0	401	401
Total other financing sources (uses)	<u>0</u>	<u>401</u>	<u>401</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>(31,563)</u>	<u>(65,851)</u>	<u>(34,288)</u>
Fund Balances - Beginning	<u>295,693</u>	<u>295,693</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 264,130</u>	<u>\$ 229,842</u>	<u>\$ (34,288)</u>

See accompanying notes to financial statements.

FAIRGROVE TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fairgrove Township (Township) operates under an elected board and provides such services to its residents as public safety, highways and streets, and sanitation.

The general purpose financial statements include all funds, account groups, and authorities that are controlled by or dependent on the Township. Controlled by or dependence on the Township was determined on the basis of budget adoption, taxing authority or receipt of significant subsidies from the Township.

Basis of Presentation

The financial activities of Fairgrove Township are recorded in separate funds, categorized and described as follows:

1. Governmental Funds:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

2. Fiduciary Funds:

These funds are used to account for assets held in trust or as an agent for others. Fairgrove Township uses these funds to account for perpetual care monies and current tax collections.

Basis of Accounting

The financial activity of the Current Tax Fund is limited to collection of amounts which are subsequently paid to third parties and, accordingly, are limited to cash transactions. All governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenues when earned. Other revenues are recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls.

- b. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.

FAIRGROVE TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted to the functional level.

On or before March 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1. A public hearing on the budget is to be held before its final adoption, at such time and place as the Township Board directs, and notice of such public hearing is to be published at least one week in advance by the Township Clerk.

A copy of the proposed budget shall be on file and available to the public for inspection during office hours at the office of the Township Clerk for a period of not less than one week prior to such public hearing. Then no later than the first regularly scheduled meeting in March, the Township Board shall by resolution, adopt the budget for the next fiscal year and shall, in that resolution, make an appropriation of money needed for Township purposes during the ensuing fiscal year of the Township.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds that were in excess of the amounts appropriated as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund:			
Drains	\$ 55,000	\$ 56,593	\$ 1,593
Highways and streets	30,000	96,306	66,306

Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position and results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Interfund Receivables-Payables

Interfund receivables and payables have not been eliminated in the preparation of the Combined Balance Sheet (Page 2). The amounts of interfund receivables and payables as of March 31, 2004 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General Fund	\$ <u>7,179</u>	Current Tax Fund	\$ <u>7,179</u>
	\$ <u>7,179</u>		\$ <u>7,179</u>

FAIRGROVE TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - FUNDS OMITTED

The Township has not maintained a record of its general fixed assets and, accordingly, a statement of general fixed assets has not been included in this report.

NOTE 3 - CASH AND SAVINGS DEPOSITS

Cash

Deposits – At March 31, 2004, the carrying amount of the Township's deposits (checking accounts, etc.) was \$218,831 with a corresponding bank balance of \$218,368. The amount covered by the FDIC was \$100,000. The difference in the carrying amount to the corresponding bank amount is due to deposits in transit and outstanding checks at March 31, 2004.

Investments

The Township of Fairgrove has adopted a formal investment policy consistent with that authorized by Michigan Law. The Township has invested in certificates of deposit and money market investments. The amount covered by the FDIC with regards to certificates of deposit was \$10,000. The carrying value of the investments approximates market value. The GASB Statement No. 3 risk disclosures for the Township's investments are as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	Carrying Amount, Which Approximates <u>Market</u>
Certificates of Deposits	\$10,000	\$ 0	\$ 0	\$10,000
(1) Insured or registered; or securities held by the Township or the Township's Agent in the Township's name.				
(2) Uninsured and unregistered, with securities held by the Dealer's Trust Department or its Agent in the Township's name.				
(3) Uninsured and unregistered, with securities held by the Dealer or the Dealer's Trust Department or Agent but not in the Township's name.				

FAIRGROVE TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 4 - TAXES RECEIVABLE

Taxes receivable represent delinquent real property taxes of the Township which are "purchased" by the County of Tuscola. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these property taxes. It is anticipated this will take place in July, 2004. These taxes have been recorded as revenue for the current year.

NOTE 5 - PENSION PLAN

The Township has adopted a defined contribution, contributory retirement plan covering substantially all employees. The pension contribution for the year was \$3,915.

NOTE 6 - BUILDING LEASE

On July 1, 1999, the Township entered into a five-year lease agreement with the Fairgrove District Library for a portion of one of its buildings at an annual rate of \$1. The Library is responsible for two-thirds of the maintenance and insurance costs.

FAIRGROVE TOWNSHIP
Combining Balance Sheet -
All Trust and Agency Funds
March 31, 2004

	Perpetual Care Fund	Current Tax Fund	Total
<u>ASSETS</u>			
Savings deposits	\$ 13,061	\$ 7,179	\$ 20,240
Interest receivable	52	0	52
Total Assets	<u>\$ 13,113</u>	<u>\$ 7,179</u>	<u>\$ 20,292</u>

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>			
Due to other funds	\$ 0	\$ 7,179	\$ 7,179
<u>Fund Balances</u>	<u>13,113</u>	<u>0</u>	<u>13,113</u>
Total Liabilities and Fund Balances	<u>\$ 13,113</u>	<u>\$ 7,179</u>	<u>\$ 20,292</u>

FAIRGROVE TOWNSHIP
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Perpetual Care Fund
For the Year Ended March 31, 2004

<u>Revenues</u>	
Interest	\$ 207
<u>Expenditures</u>	<u>0</u>
Excess of revenues over expenditures	207
<u>Other Financing Sources (Uses)</u>	
Operating transfers out	<u>(401)</u>
Excess of revenues over (under) expenditures and other uses	(194)
Fund Balance - Beginning	<u>13,307</u>
Fund Balance - Ending	<u>\$ 13,113</u>

FAIRGROVE TOWNSHIP
Statement of Collections and
Disbursements - Current Tax Fund
For the Year Ended March 31, 2004

Cash balance - April 1, 2003			\$ 7,026
<u>Collections</u>			
Taxes - 2003 levy	\$ 1,052,948		
Interest	153	1,053,101	
		<u>1,060,127</u>	
<u>Disbursements</u>			
Payment to General Fund	203,384		
Payment to Fairgrove District Library	18,427		
Payment to school districts:			
Reese	1,423		
Akron-Fairgrove	244,296		
Caro	1,128		
Payment to county:			
Tuscola	584,290		
Total disbursements		<u>1,052,948</u>	
Cash balance - March 31, 2004			<u>\$ 7,179</u>

FAIRGROVE TOWNSHIP
Statement of Changes in Assets and
Liabilities - Current Tax Fund
For the Year Ended March 31, 2004

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2004</u>
<u>ASSETS</u>				
Savings deposits	<u>\$ 7,026</u>	<u>\$ 1,053,101</u>	<u>\$ 1,052,948</u>	<u>\$ 7,179</u>
<u>LIABILITIES</u>				
Due to General Fund	\$ 7,026	\$ 203,537	\$ 203,384	\$ 7,179
Due to library	0	18,427	18,427	0
Due to school districts	0	246,847	246,847	0
Due to county	<u>0</u>	<u>584,290</u>	<u>584,290</u>	<u>0</u>
Total Liabilities	<u>\$ 7,026</u>	<u>\$ 1,053,101</u>	<u>\$ 1,052,948</u>	<u>\$ 7,179</u>